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United Nations Industrial Development Organization

Programme and Budget Committee

Eighth session
Vienna, 29 June - 3 July 1992
Item 3 of the provisional agenda

ANNOTATED PROVISIONAL AGENDA

Item 1. Opening of the session

In accordance with rule 17.2 of the Programme and Budget Committee, the eighth session of the Committee will be opened by the head of the delegation of Algeria.

Item 2. Election of officers

In accordance with rule 17.1 of the rules of procedure (UNIDO/4), the Committee shall elect from among the representatives of its members a Chairman and three Vice-Chairmen and from among the delegations of its members a Rapporteur. Rule 17.3 also stipulates that the offices of the Chairman, the three Vice-Chairmen and the Rapporteur shall be subject to equitable geographical rotation within a five-year cycle in accordance with appendix A to the rules of procedure. According to that appendix, the Chairman of the eighth session should be elected from members of the Committee included in List B of Annex I to the Constitution and the three Vice-Chairmen from the Asian States plus Yugoslavia in List A, from List B and from the African States in List A, respectively. The Rapporteur should be elected from members of the Committee included in List C.

Item 3. Adoption of the agenda

A provisional agenda for the eighth session of the Committee, prepared by the Director-General in accordance with rules 8, 9 and 17.2 of the rules of procedure, is submitted to the Committee for adoption in document PBC.8/1.

Item 4. Report of the External Auditor, financial performance report and programme performance report for the biennium 1990-1991

The Committee in its conclusion 1987/19 requested the Director-General to submit each year to the Board through the Committee a clear and detailed financial performance report itemizing the utilization of financial resources, as well as a programme performance report describing the level of programme implementation. Subsequently, the Board at its seventh session (decision IDB.7/Dec.11), upon recommendation of the Committee, approved the incorporation of the programme performance report in the annual report, as proposed by the Director-General in documents IDB.7/3 and Add.1. Likewise, the General Conference in its resolution GC.4/Res.2, requested the Director-General to fully incorporate in future annual reports the programme performance report according to Board decision IDB.7/Dec.11, and to continue including therein the tabular presentation of significant performance indicators and the comparison of outputs implemented against outputs planned for the period covered by the annual report, as shown in document GC.4/35.

The new reporting system approved by the Board and the General Conference will not come fully into operation before 1993 when the first reporting on the 1992-1993 biennium will take place. Concerning the biennium 1990-1991, which was a transition period towards the new reporting formats, an attempt was already made to reflect programme performance in the Annual Report of UNIDO, 1990 (IDB.8/10). Furthermore, the Annual Report of UNIDO, 1991 provides, parallel to the description of the activities carried out in 1991, the significant performance indicators and the comparison of outputs implemented against outputs planned for the biennium 1990-1991. In that respect, cross-references are made to the subprogrammes, programme elements and outputs described in the programme and budgets, 1990-1991, as adopted by the General Conference at its third session (GC.3/10/Rev.1).

In accordance with financial regulation 11.10, the External Auditor's reports, together with the audited financial statements, shall be completed not later than 1 June following the fiscal period to which they relate and shall be transmitted through the Committee to the Board in accordance with directions given by the Conference. The Committee shall examine the financial statements and the audit reports and submit recommendations to the Board which shall forward them to the Conference with such comments as it deems appropriate.

The Committee will have before it:

- Financial performance report for the biennium 1990-1991. Submitted by the Director-General (PBC.8/5 - IDB.10/3)

- Report of the External Auditor on the accounts of UNIDO and of the Industrial Development Fund for the financial period 1990-1991 (PBC.8/9 - IDB.10/4)

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- Annual Report of UNIDO, 1991 (IDB.9/10 and Corr.1)

Item 5. Financial situation of UNIDO

The financial situation of UNIDO will be discussed by the Board at its ninth session (18-22 May 1992). The attention of the members of the Committee is drawn to the document prepared for that occasion (IDB.9/16), which will be updated as of 30 April 1992 in a conference room paper to be distributed immediately before the Board's session.

A further report updating the information contained in those documents as of 31 May 1992 and responding to any directives that may have emanated from the Board will be issued in early June for submission to the Committee.

The Committee will also be informed of losses related to small catering items for the years 1989, 1990 and 1991.

The Committee will have before it:

- Financial situation of UNIDO as of 31 May 1992. Report by the Director-General (to be issued in June)

- Losses related to small catering items. Note by the Secretariat (PBC.8/6 - IDB.10/9)

Item 6. Operational budget: reimbursement for programme support and administrative services

Financial rule 106.21 governs reimbursement for programme support and administrative services for the preparation and implementation of projects and other activities of the programme of the Industrial Development Fund, of a trust fund or of a reserve or special account, provided by the various units of the UNIDO Secretariat. In accordance with this rule, reimbursement for such services from the resources of the Industrial Development Fund, trust fund or reserve or special account shall be authorized by the Director-General at the rate of reimbursement to executing agencies currently applied by the United Nations Development Programme (UNDP), unless the estimated actual costs of programme support and administrative services in respect of an individual project or activity justify a different rate, to be set by the Director-General upon the advice of the Director, Financial Services.

The General Conference, in its resolution GC.4/Res.28 related to guidelines for special trust fund projects, requested the Director-General to present a proposal to the Board at its tenth session, through the Committee, on the application of financial rule 106.21, taking into account the cost measurement study undertaken by UNDP.

The Committee will have before it:

- Cost measurement study on the United Nations Development Programme successor arrangements for agency support costs. Report by the Director-General (PBC.8/3 - IDB.10/7)

- Reimbursement for special trust fund projects in accordance with financial rule 106.21. Proposal by the Director-General (PBC.8/8 - IDB.10/8)

Item 7. Use of unutilized balances of appropriations

In the context of the financial situation of UNIDO as reflected in the budget performance report 1990-1991, the General Conference at its fourth session recalled its decision GC.3/Dec.17 concerning the temporary suspension of financial regulations 4.2(b) and 4.2(c) with respect to the 1986-1987 biennium to allow UNIDO to retain the unutilized balance of the appropriations for that biennium. These financial regulations relate to the surrendering to Member States of the unencumbered balance of appropriations at the end of a fiscal period.

In decision GC.4/Dec.15 the Conference decided to cover a deficit for the 1990-1991 biennium by, inter alia, the suspension of financial regulations 4.2(b) and 4.2(c) with respect to the unutilized balance of appropriations for the biennium 1986-1987 up to the amount of $4.3 million. It also decided, in order to facilitate the work of the Organization, on the temporary suspension of financial regulations 4.2(b) and 4.2(c) with respect to the 1988-1989 biennium to allow UNIDO to retain the unutilized balance of appropriations of $6,496,192, which comprises the surplus account balance of $1,807,815 and unpaid assessed contributions of $4,688,377 as reported in statement II attached to the Director-General's interim financial performance report for the biennium 1990-1991 (PBC.7/16).

The Conference further decided to request the External Auditor to submit his opinion to the Committee in future on the allocation of any retained unutilized balances of appropriations to those original programmes that had been affected.

The Committee will have before it:

- Use of unutilized balances of appropriations. Report by the External Auditor (PBC.8/12)

Item 8. Medium-term plan, 1994-1999 (including general ceiling for the biennium 1994-1995)

In accordance with General Conference decision GC.2/Dec.23, the Director-General is requested to submit to the Board in the first year of each fiscal period, through the Committee, a draft medium-term plan for the six years that follow the current fiscal period. The draft medium-term plan should be prepared in accordance with the principles mentioned in that decision. Furthermore, in compliance with paragraph (b)(v)(d) of the same decision, the Director-General should also submit a preview of the biennium 1994-1995 providing a general indication of the human and financial resources required.

The General Conference, in its resolution GC.4/Res.25, while approving the medium-term plan 1992-1997 (PBC.7/17), requested the Director-General to ensure that, in the elaboration of the next draft medium-term plan, its structure consisting of the five priority areas, the three elements common to industrial development and the six programme instruments of UNIDO be maintained without prejudice to possible new guidelines to be adopted by the Board through the Committee at its eighth session. The Director-General was also requested to reflect in the next draft medium-term plan the relative priorities of the respective programmes and subprogrammes, as determined by the policy-making organs of UNIDO.

The Committee will have before it:

- Draft medium-term plan, 1994-1999. Submitted by the Director-General (PBC.8/10 - IDB.10/5)

- Preview of first biennium 1994-1995 and preliminary indicative general ceiling. Submitted by the Director-General (PBC.8/10/Add.1 - IDB.10/5/Add.1)

Item 9. Industrial Development Fund and other voluntary contributions

In accordance with Article 17 of the Constitution, in order to increase the resources of the Organization and to enhance its ability to meet promptly and flexibly the needs of the developing countries, the Organization shall have an Industrial Development Fund (IDF) which will be financed through the voluntary contributions to the Organization provided for in Article 16, and other income as may be provided for in the financial regulations of the Organization. The Director-General shall administer IDF in accordance with the general policy guidelines governing the operations of the Fund that are established by the Conference, or by the Board acting on behalf of the Conference, and in accordance with the financial regulations of the Organization. Rules governing the financial management of IDF were prepared by the Director-General in accordance with the financial regulations established by the Conference in its decision GC.2/Dec.25. These rules are contained in the Financial Rules of UNIDO (UNIDO/DG/B.74).

In accordance with Board decision IDB.4/Dec.30, the Director-General is to provide information as to the nature of projects financed from the Fund, indicating therein the projects financed from its general-purpose segment as well as information as to the projects financed from its special-purpose segment.

In its decision GC.4/Dec.21, paragraphs (e) and (f), the General Conference encouraged the Director-General to pursue the development of the programme approach described in document GC.4/28 in order to enhance the impact of UNIDO assistance and requested the Secretariat to promote selected programmes following the medium-term plan priority areas, while urging Member States to provide adequate financial resources for the development and implementation of such programmes. In that same decision the Conference encouraged the Director-General to continue utilizing Industrial Development Fund resources as a means for the mobilization of larger financial flows, both for technical cooperation and investment, and recommended the improvement of investment-related activities.

The Board, in its decision IDB.7/Dec.18 concerning the mobilization of financial resources for industrial development, requested the developed industrialized countries to consider allocating, inter alia, to UNIDO new additional resources as they become available following military spending reductions. It also requested the Secretariat to make proposals within UNIDO's area of competence in that regard to the eighth session of the Committee for elaboration so that programming measures could be reflected in the ensuing budget in accordance with the priorities of the medium-term plan.

The Committee will have before it:

- Industrial Development Fund - Estimated resource level and programming for 1993 and 1994. Report by the Director-General (PBC.8/2 - IDB.10/2)

- Information on the nature of projects financed from the Fund, contained in the Annual Report of UNIDO, 1991 (IDB.9/10, chap. VIII, paras. 14-20 and appendix G)

- Lists of projects approved under the Industrial Development Fund (IDF) in 1991 (PBC.8/CRP.1)

- Mobilization of financial resources for industrial development as a result of military spending reductions. Note by the Secretariat (PBC.8/13)

Item 10. Guidelines and procedures governing acceptance and funding under special trust funds, Industrial Development Fund and the regular budget

In a note submitted to the Board at its eighth session on the regulatory framework for the implementation of Article 16 of the Constitution (IDB.8/33), the Director-General explained that, with the growth experienced in the special trust fund programme, as well as in the activities funded by the Industrial Development Fund, he had decided to revise his bulletin UNIDO/DG/B.18 containing guidelines on the preparation, processing, monitoring and negotiation of trust fund projects to provide a more detailed set of guidelines and procedures, and to take into account the experience gained by the Secretariat since UNIDO was established as a specialized agency. In addition to special trust funds, the revised bulletin would also cover projects funded by the Industrial Development Fund and the regular budget. At its eighth session, the Board requested the Director-General to expedite the work on the revised bulletin, with a view to enabling the Committee to review it at its eighth session (IDB.8/Dec.34, para. (e)).

The General Conference at its fourth session adopted resolution GC.4/Res.20 on the evaluation of the objectives and functions of UNIDO in view of recent changes and developments in the world. In that resolution, the Conference requested the Director-General to ensure that the voluntary contributions he accepts on behalf of UNIDO are in conformity with the objectives and policies of the Organization and, in that context, reiterated the request of the Board in its decision IDB.8/Dec.34 to expedite the work on the revised bulletin UNIDO/DG/B.18.

Information on the preparation of the Director-General's revised bulletin on guidelines and procedures governing acceptance and funding under special trust funds, the Industrial Development Fund and the regular budget (UNIDO/DG/B.18/Rev.1) will be made available to the Committee.

Item 11. Implementation of the recommendations of the External Auditor for the financial period 1988-1989

In considering the follow-up of the recommendations of the External Auditor for the financial period 1988-1989 (PBC.6/15 and Corr.1 - IDB.7/11 and Corr.1), the Board

in its decision IDB.8/Dec.30 endorsed conclusion 1991/2 of the Committee and requested the Director-General: (a) to make available to interested Member States before the fourth session of the General Conference the manual on financial and accounting policies and procedures and to present the comments of the External Auditor on that manual to the eighth session of the Committee in 1992; and (b) to finalize as soon as possible, preferably before the first regular session of the Committee in 1992, the compilation of a comprehensive manual containing the formal documentation of administrative policies and procedures of the Organization, especially on purchases and contracts.

Subsequently the Conference, in its resolution GC.4/Res.24, took note of the draft financial manual made available by the Director-General and reiterated the requests of the Board related to the eighth session of the Committee.

The Committee will have before it:

- Action taken with regard to the manual of administrative policies and procedures of the Organization. Report by the Director-General (PBC.8/7 - IDB.10/6)

Item 12. Practice of zero real growth budgets

The General Conference in its decision GC.3/Dec.24 requested the Board to re-examine the practice of zero real growth budgets and to submit a report to the Conference at its fourth session. Subsequently at the request of the Committee a report on the subject (IDB.7/28) was submitted by the Director-General to the Board at its seventh session. On that occasion, the Board, in its decision IDB.7/Dec.14, decided to establish an informal open-ended consultation group of Member States to re-examine the practice of zero real growth budgets. In its decision IDB.8/Dec.27, the Board took note of the report of the informal open-ended consultation group (IDB.8/CRP.5) and decided to request the General Conference at its fourth session to direct the Committee to re-examine at its eighth session the issue of a real increase in the regular budget of UNIDO for the 1994-1995 biennium. In its decision GC.4/Dec.19, the Conference, endorsed Board decision IDB.8/Dec.27.

The Committee will have before it:

- Practice of zero real growth budgets. Report by the Director-General (PBC.8/4)

Item 13. Electronic data-processing programme

The electronic data-processing (EDP) programme of UNIDO was discussed at the sixth and seventh sessions of the Committee and subsequent sessions of the Board and the General Conference. The Conference in its decision GC.4/Dec.18, urged the Director-General to report to the Committee at its eighth session on the amounts of all contractual commitments concerning the EDP programme, from 1 January 1992 onwards. It also requested the Director-General, with a view to ensuring the transparency of all operations concerning the EDP programme and avoiding a repetition of past difficulties, to report to the subsequent sessions of the policy-making organs on the programme and cost of implementing the recommendations of the consultants appointed in accordance with Board decision IDB.8/Dec.35, paragraph (b), as well as those of the External Auditor, as contained in documents GC.4/CRP.1 and GC.4/50, especially those concerning the disaster recovery plan, the organizational and functional changes and the internal control and evaluation of automation projects.

The EDP programme will be discussed by the Board at its ninth session (18-22 May 1992). The attention of the members of the Committee is drawn to the document prepared for that occasion (IDB.9/12), which will be updated as of 30 April 1992 in an addendum immediately before the Board's session.

A further report updating the information contained in those documents as of 31 May 1992 and responding to any directives that may have emanated from the Board will be issued in early June for submission to the Committee.

The Committee will have before it:

- Electronic data-processing programme. Report by the Director-General (PBC.8/15 - IDB.9/12/Add.1) to be updated, if necessary, before the session

Item 14. Financial regulation 4.1, paragraphs (d) and (e)

Following recommendations made by the independent team of experts on the programme and budgets of UNIDO (PBC.5/16 and Corr.2) and subsequent recommendations by the Committee (conclusion 1991/12), the Board submitted to the General Conference at its fourth session for consideration and adoption the addition of paragraphs (c), (d) and (e) to financial regulation 4.1 contained in decision IDB.7/Dec.13. The Conference, in its resolution GC.4/Res.23, while deciding to adopt the proposed addition to financial regulation 4.1, maintained the proposed paragraphs (d) and (e) in square brackets and requested the External Auditor to submit a report to the Committee at its eighth session on his views and comments on those paragraphs. It also requested the Committee to reconsider paragraphs (d) and (e) and report to the Conference at its fifth session through the Board at its tenth session.

The Committee will have before it:

- Financial regulation 4.1, paragraphs (d) and (e). Views and comments of the External Auditor (PBC.8/14)

Item 15. Application of the split-currency system of assessment

The General Conference at its third session decided to continue the application of the split-currency system of assessments for the regular budget in accordance with financial regulation 5.1(d) (GC.3/Dec.19), while the advances to the Working Capital Fund should continue to be assessed and paid in United States dollars, as stated in financial regulation 5.5(d) (GC.3/Dec.20). The administration of the split-currency system of assessment was reviewed by the External Auditor in his report on the accounts for the financial period 1988-1989 (PBC.6/15 and Corr.1 - IDB.7/11 and Corr.1).

Alternatives to the present split-currency system were subsequently reviewed by the Committee and the Board, including the introduction of a constant dollar basis for both budgeting and reporting purposes, in an effort to determine an

optimum system for UNIDO and its Member States. On the basis of those reviews, the Conference in its resolution GC.4/Res.27, decided that the appropriation approved for the biennium 1992-1993 be assessed in the proportions of 11 per cent in United States dollars of the appropriation expressed at US$ 1 = AS 12.90 and the balance in Austrian schillings. At the same time, the Conference decided to suspend for 1992-1993 the second sentence of financial regulation 5.1(d) (i.e. "The initial assessment in Austrian schillings shall be established at the United Nations accounting rate of exchange in effect at the time the regular budget is adopted by the Conference.") and requested the Director-General in consultation with the External Auditor to review the appropriateness of that sentence and to report thereon through the Committee and the Board to the General Conference at its fifth session.

While making recommendations which led to the above decision by the Conference concerning split-currency asssessment for the biennium 1992-1993, the Committee, in its conclusion 1991/3 (c) requested the Secretariat to continue to examine the feasibility of introducing a system of constant dollar reporting for the 1992-1993 biennium, to continue to monitor the expenditure patterns and further improve the expenditure review mechanisms; and to report to the Committee at its eighth session on progress made.

The Committee will have before it:

- Application of the split-currency system of assessment. Report by the Secretariat (PBC.8/11)

Item 16. Date of the ninth session of the Committee

The following dates have been reserved for the policy-making organs of UNIDO in 1993:

26-30 April 1993 (tentative)	PBC - ninth session
28 June - 2 July 1993 (tentative)	IDB - eleventh session
6-10 December 1993	General Conference - fifth session

Item 17. Adoption of the report of the eighth session

Item 18. Closure of the session